

**CAMPUS FACILITIES, INC.**  
**BOSSIER CITY, LOUISIANA**  
**DECEMBER 31, 2012 AND 2011**

CAMPUS FACILITIES, INC.

BOSSIER CITY, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 27, 2013

The Board of Directors  
Campus Facilities, Inc.  
Bossier City, Louisiana

## Independent Auditor's Report

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Campus Facilities, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Campus Facilities, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013 on our consideration of Campus Facilities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campus Facilities, Inc.'s internal control over financial reporting and compliance.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

CAMPUS FACILITIES, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011

<u>A S S E T S</u>	<u>2012</u>	<u>2011</u>
Restricted cash and cash equivalents-Note 2	1,932,960	1,898,907
Capital assets-Note 3	<u>48,066,259</u>	<u>49,563,648</u>
Total assets	<u>49,999,219</u>	<u>51,462,555</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	25,100	190,140
Accrued interest payable	133,816	189,057
Bonds payable	38,050,000	44,660,000
Less-original issue discount	-	(298,254)
Plus-original issue premium	<u>4,264,851</u>	<u>-</u>
Net bonds payable-Note 4	<u>42,314,851</u>	<u>44,361,746</u>
Total liabilities	42,473,767	44,740,943
<u>Temporarily restricted net assets</u>	<u>7,525,452</u>	<u>6,721,612</u>
Total liabilities and net assets	<u>49,999,219</u>	<u>51,462,555</u>

See accompanying notes to financial statements.



CAMPUS FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>Revenues:</u></b>		
Rent income	4,722,414	4,409,844
Interest and dividends	<u>344</u>	<u>1,033</u>
Total revenues	4,722,758	4,410,877
<b><u>Expenses:</u></b>		
Amortization of bond discount-Note 4	17,088	18,641
Accretion of bond premium-Note 4	(23,826)	(11,564)
Interest expense on bonds	2,310,712	2,322,064
Legal and professional services	29,111	18,397
Insurance	3,054	3,054
Repairs and maintenance	77,889	244,421
Equipment	-	8,030
Depreciation	1,497,389	1,497,389
Miscellaneous	<u>7,501</u>	<u>-</u>
Total expenses	<u>3,918,918</u>	<u>4,100,432</u>
<b><u>Change in temporarily restricted net assets</u></b>	803,840	310,445
<b><u>Temporarily restricted net assets at beginning of year</u></b>	<u>6,721,612</u>	<u>6,411,167</u>
<b><u>Temporarily restricted net assets at end of year</u></b>	<u>7,525,452</u>	<u>6,721,612</u>

See accompanying notes to financial statements.

CAMPUS FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>Cash flows from operating activities:</u></b>		
Rent income	4,722,414	4,409,844
Interest received on investments (not capitalized)	344	1,033
Payments for services	(29,311)	(18,397)
Payments for repairs and maintenance (not capitalized)	(267,729)	(54,281)
Payments for miscellaneous items	(10,555)	(11,084)
Interest paid on bonds (not capitalized)	<u>(2,365,953)</u>	<u>(2,326,917)</u>
Net cash provided by operating activities	2,049,210	2,000,198
<b><u>Cash flows from financing activities:</u></b>		
Net proceeds from bond issues	42,644,843	-
Principal retirement of bonds	<u>(44,660,000)</u>	<u>(1,805,000)</u>
Net cash (used) by financing activities	<u>(2,015,157)</u>	<u>(1,805,000)</u>
<b><u>Net increase in cash and cash equivalents</u></b>	34,053	195,198
<b><u>Cash and cash equivalents at beginning of year</u></b>	<u>1,898,907</u>	<u>1,703,709</u>
<b><u>Cash and cash equivalents at end of year</u></b>	<u>1,932,960</u>	<u>1,898,907</u>
<b><u>Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:</u></b>		
Change in temporarily restricted net assets	803,840	310,445
Adjustments to reconcile change in temporarily restricted net assets to net cash provided by operating activities:		
Amortization of bond discount	17,088	18,641
Accretion of bond premium	(23,826)	(11,564)
(Decrease) increase in payables (services, miscellaneous, interest)	(245,281)	185,287
Depreciation	<u>1,497,389</u>	<u>1,497,389</u>
Net cash provided by operating activities	<u>2,049,210</u>	<u>2,000,198</u>

See accompanying notes to financial statements.



CAMPUS FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies

*Nature of Activities*

Campus Facilities, Inc. (the "Corporation") was formed May 31, 2001 to provide funds for and oversee construction of the campus to be occupied upon completion by Bossier Parish Community College. The construction project was funded by Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") Revenue Bonds. The proceeds of the bonds were loaned by the Authority to the Corporation pursuant to a Loan and Assignment Agreement dated April 1, 2002 and were used for (1) financing a portion of the costs of the development, design and construction of a new campus and related facilities (the "Facilities") for students, faculty and staff of Bossier Parish Community College; (2) paying capitalized interest on the bonds; and (3) paying costs of issuance of the bonds.

The Board of Supervisors of the Louisiana Community and Technical College System (the "LCTCS Board"), an agency of the state, is leasing the unimproved land on which the campus was constructed to the Corporation pursuant to a Ground Lease Agreement dated April 1, 2002. The Corporation was obligated under the Ground Lease to construct the Facilities in accordance with the plans and specifications approved by an Advisory Committee of the Corporation, as set forth in the Ground Lease. Upon completion of construction, the Corporation began subleasing the Facilities back to the LCTCS Board pursuant to an Agreement to Lease with Option to Purchase (the "Facilities Lease") dated April 1, 2002. The source of repayment of the bonds will be payments of the base rental received by the Corporation from the LCTCS Board pursuant to the Facilities Lease. These payments of base rental will enable the Corporation to make its required payments to the Authority under the loan agreement; provided, however, the availability of the base rental payable by the LCTCS Board is subject to annual appropriation of funds to the LCTCS Board sufficient for such purpose by the Legislature. (See Note 5).

*Basis of Financial Statements*

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial position and statement of activities for the period. Actual results could differ from those estimates.

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. All of the net assets of the organization are temporarily restricted for the purpose of constructing and equipping the Facilities at December 31, 2012 and 2011.

*Cash Equivalents*

For financial statement purposes, the Corporation considers all demand deposits and deposits in money market funds to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

1. Summary of Significant Accounting Policies (Continued)

*Capital Assets*

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the Corporation's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property.

*Income Taxes*

As a nonprofit organization, the Corporation is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Therefore, no provision for income taxes has been made in the financial statements. The Corporation is required to review various tax positions it has taken with respect to its exempt status and determining whether in fact it continues to qualify as a tax exempt entity. It must also consider whether it has nexus in jurisdictions in which it had income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Corporation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Corporation does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Corporation's accounting records.

The Corporation is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Demand deposits	63,836	63,048
Common trust funds	<u>1,869,124</u>	<u>1,835,859</u>
	<u>1,932,960</u>	<u>1,898,907</u>

Demand deposits are maintained at a single financial institution, and the balance in excess of the federal deposit insured amount of \$250,000 is exposed to custodial credit risk. Common trust funds consist of money market funds collateralized by U.S. Treasury securities held by the trust department of a single financial institution. Such common trust funds are exposed to custodial credit risk because the funds are uninsured and collateralized with securities held by the financial institution's trust department but not in the Corporation's name. Cash and cash equivalent balances are subject to various restrictions related to the constructing and equipping of the Facilities and the maintenance of the Facilities.



### 3. Capital Assets

Capital assets activity for the year ended December 31, 2012 were as follows:

	Balance 12/31/11	Additions	Transfers	Balance 12/31/12
Capital assets not being depreciated:				
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Buildings	58,793,069	-	-	58,793,069
Less-accumulated depreciation	(10,223,749)	(1,469,827)	-	(11,693,576)
Total buildings	48,569,320	(1,469,827)	-	47,099,493
Equipment	141,332	-	-	141,332
Less-accumulated depreciation	(136,786)	(1,515)	-	(138,301)
Total equipment	4,546	(1,515)	-	3,031
Athletic fields	1,041,876	-	-	1,041,876
Less-accumulated depreciation	(52,094)	(26,047)	-	(78,141)
Total athletic fields	989,782	(26,047)	-	963,735
Total other capital assets	49,563,648	(1,497,389)	-	48,066,259
Capital asset summary:				
Capital assets not being depreciated	-	-	-	-
Other capital assets, at cost	59,976,277	-	-	59,976,277
Total cost of capital assets	59,976,277	-	-	59,976,277
Less-accumulated depreciation	(10,412,629)	(1,497,389)	-	(11,910,018)
Capital assets, net	49,563,648	(1,497,389)	-	48,066,259

Capital assets consist of nine buildings on the college campus totaling approximately 334,000 square feet of space. The campus has a library and bookstore, administrative offices, classroom and lab space, a health and physical education facility, a Culinary Arts area, a student activity center and a theater/auditorium, along with a separate power plant building.

The Corporation entered into a contract (the "Design-Build Contract") with Shreve Land Construction, a division of Brice Building Company, Inc. (the "Builder") to provide for the design and construction of the campus. Pursuant to the Design-Build Contract, the Builder entered into a subcontract with Slack, Alost, McSwain and Associates (the "Architect") to perform design and engineering services for the campus.

The Design-Build Contract required the Builder to perform the design and engineering of the campus as generally described in a master plan prepared for the LCTCS Board. The Architect worked concurrently with the Builder, the Corporation and the Corporation's Advisory Committee to design the campus. Upon the Corporation's approval of the designed campus, the Builder provided the Corporation with a guaranteed maximum price to construct the campus, including all fees for the Builder and the Architect. The Corporation and the Builder subsequently amended the Design-Build Contract to describe more fully the facilities to be constructed and the guaranteed maximum price to be paid by the Corporation. Construction of the campus was completed in two phases. The buildings constructed in Phase I were substantially completed and placed in service in January 2005. Phase II

### 3. Capital Assets (Continued)

construction included a gym and a theater. The gym was substantially completed and placed in service in November 2005, and the theater was substantially completed and placed in service in February 2006.

During February 2009, the Corporation entered into a contract for the construction of two athletic fields. The fields, at a cost of \$1,041,876, were placed in service in 2010.

### 4. Bonds Payable

During 2002, \$45,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus to be occupied by Bossier Parish Community College. In June 2003, \$10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to provide additional funds to complete construction; these bonds were fully retired in 2011. In December 2012, \$38,050,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to refund the Series 2002 bonds. Following is a summary of bonds payable at December 31:

	<u>2012</u>	<u>2011</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2002 Serial Bonds, interest rates ranging from 4.20% to 5.25%, principal payments begin December 1, 2011, final maturity December 1, 2018. Redeemed December 2012.	-	15,165,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2002 Term Bonds, \$18,105,000 bearing interest at 5.125% due December 1, 2024, \$11,390,000 bearing interest at 5.20% due December 1, 2027. Redeemed December 2012.	-	29,495,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2012 Serial Bonds interest rates ranging from 3% to 5%, principal payments begin December 1, 2016, final maturity December 1, 2027.	38,050,000 38,050,000	- 44,660,000
<u>Less</u> -original issue discount (2002 Bonds)	-	(298,254)
<u>Plus</u> -original issue premium (2012 Bonds)	4,264,851	-
Total bonds payable	<u>42,314,851</u>	<u>44,361,746</u>



#### 4. Bonds Payable (Continued)

The 2002 bonds were issued at a discount of \$478,450. This discount was being amortized over the life of the bonds on the straight-line basis. Amortization expense recorded in the statement of activities totaled \$17,088 and \$18,641 for the years ended December 31, 2012 and 2011, respectively. The 2003 bonds were issued at a premium of \$107,229, and the 2012 bonds were issued at a premium of \$4,288,677. These premiums are being amortized over the life of the bonds on the straight-line basis. Accretion recorded in the statement of activities totaled \$23,826 and \$11,564 for the years ended December 31, 2012 and 2011, respectively.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	-	1,592,418	1,592,418
2014	-	1,605,800	1,605,800
2015	-	1,605,800	1,605,800
2016	1,990,000	1,605,800	3,595,800
2017	2,595,000	1,526,200	4,121,200
2018-2022	14,790,000	5,894,000	20,684,000
2023-2027	<u>18,675,000</u>	<u>2,050,250</u>	<u>20,725,250</u>
	<u>38,050,000</u>	<u>15,880,268</u>	<u>53,930,268</u>

Payments of scheduled principal and interest on the bonds, when due, are insured by MBIA Insurance Corporation.

#### 5. Risks and Uncertainties

As discussed in Note 1, the Corporation is dependent upon the State Legislature appropriating funds to the LCTCS Board sufficient to make payments of base rental to the Corporation. The State, the LCTCS Board and the Corporation entered into a Cooperative Endeavor Agreement dated January 1, 2002 pursuant to which the Commissioner of Administration agreed to include in the Executive Budget and request that the State Legislature provide funding for the payment of Base Rental pursuant to the Facilities Lease. A failure by the Legislature to appropriate sufficient funds to satisfy the obligations of the LCTCS Board under the Facilities Lease would permit the LCTCS Board to terminate the Facilities Lease without any further obligations. Absent an appropriation by the Legislature sufficient to allow the LCTCS Board to make payments of base rent under the Facilities Lease, the Corporation will have no obligation to make payments under the Loan Agreement. The LCTCS Board is under no obligation to use any of its other funds to make payments of base rental.

#### 6. Subsequent Event

In accordance with FASB Accounting Standards Codification Topic 740, "*Subsequent Events*," the Corporation evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available for potential recognition or disclosure in the financial statements. The Corporation evaluated such events through June 27, 2013, the date the financial statements were available to be issued, and noted the following subsequent events.

Effective February 1, 2013, the Corporation entered into a Cooperative Endeavor Agreement with the State of Louisiana, the Louisiana Department of Economic Development (the "LED"), and the LCTCS Board to evidence the obligation of the Corporation to develop and construct a new 66,000 square foot Advanced Manufacturing Technology Center (the "Center") on the Bossier Parish Community College campus. The LED has agreed to fund the \$16 million project on a reimbursement basis. Effective May 21, 2013, the Corporation entered into a Design-Build Contract for construction of the Center. The project is to be completed by May 31, 2014. The Center will be constructed on unimproved property subject to the Ground Lease and will be delivered to the LCTCS Board, for the use and benefit of Bossier Parish Community College, once the training center has been completed.

OTHER REPORTS



# HEARD, McELROY, & VESTAL

—LLC—

CERTIFIED PUBLIC ACCOUNTANTS

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318-429-1525 PHONE • 318-429-2070 FAX

June 27, 2013

The Board of Directors  
Campus Facilities, Inc.  
Bossier City, Louisiana

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Campus Facilities, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Campus Facilities, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Campus Facilities, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Campus Facilities, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Campus Facilities, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance



with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Heard, McElroy & Vostal, LLC*

Shreveport, Louisiana

CAMPUS FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2012

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Campus Facilities, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Campus Facilities, Inc. were disclosed during the audit.
4. Campus Facilities, Inc. was not subject to a Federal Single Audit for the year ended December 31, 2012.

**B. Findings - Financial Statement Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs**

Not applicable.

CAMPUS FACILITIES, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012

There were no findings and questioned costs from the prior year.